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Russian Federation

Fishery Products

U.S. Seafood Exports Surge

2005

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Report Highlights:
Positive economic indicators in Russia have boosted overall domestic food consumption and, in particular, fish and seafood products. Rising consumer income, changing consumer habits, and a stable exchange rate offer new market opportunities for U.S. fish and seafood exporters. The United States increased its exports of fish and seafood products to Russia by nearly 185 percent in 2004 and now accounts for a market share of nearly four percent. According to trade sources, consumer preferences will continue to shift to higher value-added products.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
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Executive Summary

The Russian economy continues to grow at a rapid pace. The Russian Statistics Service (RosStat) estimates GDP growth in 2004 was 7.1 percent, higher than previously expected. Real income also increased by an average 7.8 percent last year and poverty rates continued to decline. These positive economic indicators have boosted domestic food consumption in general and, in particular, of fish and seafood products. As a result, in 2004, imports of fish and crustaceans increased by nearly 60 percent, to $643 million, an all-time record. Conversely, Russian exports of fish and crustaceans decreased by nearly 19 percent to $325 million.

According to trade sources, Russian consumers are increasingly demanding greater variety and quality. As a result, local retail outlets and restaurants now offer a wide selection of both traditional products (herring, mackerel, salmon) and exotic items such as squid, prawns, mussels, and oysters. Although the United States accounts for about four percent of Russia's imports of fish and seafood products, rising consumer income, changing consumer habits, and a stable exchange rate offer new market opportunities for U.S. fish and seafood products.

Consumption

Domestic consumption of fish and seafood products declined sharply following the fall of the Soviet Union as the local seafood industry fell into disarray. Reduced supply pushed consumer prices higher and consumption fell from an average 20 kilograms per capita in the late 1980's to less than 10 kilograms in the early 1990's. However, consumption is rapidly recovering, largely due to the impact of five consecutive years of strong economic growth and to changing consumer habits and preferences. This is reflected by the increase in recent years of the per capita consumption of fish and seafood products, from 11 to 15 kilograms, in the Moscow and St. Petersburg metropolitan areas.

Although fish is the third most widely consumed animal protein, following red meat and poultry, the variety of fish and seafood products in the Moscow and St. Petersburg markets today is equivalent to markets in the European Union. There is a full range of items found in local markets, from low or no-added value products (whole frozen or headed and gutted fish) to high value-added selections (breaded fish, fish sticks, and surimi).

According to one of the sources in the fishing processing industry in Moscow, increased consumption of fish and seafood products in the Moscow and St. Petersburg reflects not only the higher purchasing power of the population of these metropolitan areas, but interest in healthy, nutritious and low fat foods. In addition, recent consumer concerns about avian influenza in poultry may have contributed to increased consumption of fish and seafood products.

As the purchasing power of the average Russian consumer increases, it is estimated that consumer preferences will continue to shift to higher value-added products. However, the Russian market still shows several underdeveloped marketing constraints, such as lack of trademarks, branding and advertising. According to sources, fish processing companies have difficulties establishing business relations with large retail chains due to unreasonably high quality requirements and surcharges that vary from 50 to 200 percent. Another constraint is the lack of adequate and trained personnel and management. In addition, lack of continuity in retail purchasing departments due to high management rotation is another major obstacle for the industry in establishing ties with retail chains. As a result, new products are often being sold to other regional markets through wholesalers, where lower price is the main factor. Though processors try to lower costs by applying modern technologies and equipment, but face stiff competition from China in segments such as dried fish. Trade sources believe that product diversification and new technologies are the main factors of survival in the Russian market.

Trade

According to State Customs statistics, Russia's total imports of fish and seafood products in 2004 reached an all-time record of $643 million, an increase of 60 percent from the previous year. Whole, frozen fish accounted for the bulk of imports (about 57 percent), although fresh fish, fillets, shellfish, and other specialty seafood products almost doubled from the previous year.

Norway is the largest supplier of fish and seafood to Russia, with nearly 50 percent share of the Russian market. Other important suppliers are the United Kingdom, Iceland, and Denmark.

The United States increased its exports of fish and seafood products to Russia by nearly 185 percent in 2004 and now accounts for a market share of nearly four percent. Imports from the Untied States accounted mostly of salmon (whole or eviscerated), surimi, and other edible fish and seafood, such as scallop. From January to May 2005, the United States increased exports of fish and seafood products to Russia by 84 percent compared to the previous year.

According to trade sources, imports of fish and seafood products will remain strong in 2005. Although Norway will continue to supply the bulk of Russia's imports, other suppliers such as Iceland, Great Britain, Canada, and the United States are increasing their market share in the Russian market for fish and seafood products.

Import Statistics

Table 1. Russia: Imports of Fish and Seafood, 2002-2004, MT.

					% Change
HTS		2002	2003	2004	04/03
03	FISH AND SEAFOOD	499,340	612,330	739, 674	20.8
0307	OTHER SEAFOOD	6,133	6,454	10,768	66.83
030749	SQUID,ET,N LIV/FRSH	4,874	4,652	8,571	84.23
030759	OCTOPUS,N LIVE/FRSH	166	394	710	80.25
030710	OYSTERS	225	284	324	14.45
030739	MUSSEL, N LIVE/FRSH	434	489	460	-5.96
030799	OT 0307 N LIVE/FRSH	266	391	406	4.02
030731	MUSSELS LIVE,FR/CHL	72	95	112	18.39
030791	OTH 0307 LIVE,FR/CH	18	25	37	46.28
030729	SCALLOP NT LIV/FRSH	42	77	96	25.28
030741	SQUID,ETC,LIV,FR/CH	18	30	29	-0.76
030721	SCALLOP LIVE,FR/CHL	6	7	6	-12.86
030751	OCTOPUS,LIVE,FR/CHL	5	9	8	-1.22
030760	SNAILS, N SEA SNAIL	7	2	7	171.4

Source: Customs Committee of Russia

Table 2. Russia: Imports of Fish and Seafood, January-March, 2005, MT.

Rank	Country	2003	2004	2005	05/04
0	World	136,783	182,790	279,578	52.95
1	Norway	64,180	72,714	122,223	68.09
2	Iceland	2,071	11,350	38,573	239.84
3	United Kingdom	19,775	25,248	17,368	-31.21
4	Estonia	3,547	6,685	15,318	129.16
5	Denmark	6,102	7,986	10,476	31.17
6	Mauritania	7,090	9,130	9,254	1.35
7	Finland	1,526	5,258	6,971	32.59
8	Canada	836	1,708	6,319	270.02
9	United States	978	2,733	6,083	122.59
10	Argentina	817	2,203	5,337	142.21

Source: Customs Committee of Russia

Table 3. Russia: Imports of Scallops, 2002-2004, kg.

Rank	Country	2002	2003	2004
0	World	6,021	7,201	6,275
1	United States	0	68	3,387
2	France	4,598	4,416	1,350
3	Netherlands	1,423	2,717	1,262
4	Norway	0	0	270

Source: Customs Committee of Russia